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**1991/05/06**

DEPARTMENT

*ΦMLAP - MISSILES*

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AUTH TCS DRAFT PRS  
CLEAR 1. RW 2. EGA  
3. SA 4. MM 5. RC  
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**ENGINE**

NEA/PAB: EGABINGTON  
P: MMALINOWSKI  
NEA/RA: ALEIPMANN

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PRIORITY BEIJING, NEW DELHI PRIORITY

E.O. 12356: DECL: OADR

TAGS: CH, MNUC, MARR, PREL, PK, ETRD

SUBJECT: PAK CONCERNS OVER U.S. ACTION AGAINST THE P.R.C.  
REGARDING SATELLITE PARTS

{A} ISLAMABAD 6079 {B} STATE XXXXXX {NOTALP}

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( ) RELEASE ( ) DECLASSIFY  
~~( ) EXCISE~~ ~~( ) DECLASSIFY~~  
( ) DENY ( ) PART  
( ) DETERMINE Non-Responsive Info  
FOIA Exemptions b1  
PA Exemptions b3

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and Cases Only.  
EO Citations:

TS authority to  
( ) CLASSIFY as (1) S or ( ) C OADR  
( ) DOWNGRADE TS to ( ) S or ( ) C OADR

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2. {S} THE PRESIDENT DECIDED ON APRIL 30 TO WAIVE LEGISLATIVE RESTRICTIONS AGAINST EXPORTS TO CHINA OF SATELLITES AND THEIR COMPONENTS FOR THE AUSTRALIAN AUSSAT AND SWEDISH FREJA SATELLITE PROJECTS. AT THE SAME TIME, HE DECIDED NOT TO APPROVE LICENSES TO EXPORT COMPONENTS FOR THE CHINESE DFH-3 SATELLITE. ALL OF THE SATELLITES ARE SCHEDULED FOR LAUNCH ON CHINESE ROCKETS. THE PRESIDENT'S DECISION WAS BASED ON A CAREFUL EVALUATION OF U.S. NATIONAL INTERESTS INVOLVED IN EACH OF THE PROJECTS. IN THE DFH-3 PROJECT, THE PRESIDENT WAS PARTICULARLY CONCERNED ABOUT MISSILE TECHNOLOGY EXPORTS OF THE CHINESE PARTNERS IN THE PROJECT.

LICENSES OF U.S. TECHNOLOGY FOR THESE THREE PROJECTS HAVE BEEN HELD UP BY SANCTIONS CONTAINED IN THE FOREIGN RELATIONS AUTHORIZATION ACT, FY 1991-92 {FRAA}. LICENSING OF SATELLITES, THEIR COMPONENTS AND ASSOCIATED TECHNOLOGIES TO CHINA IS CURRENTLY SUSPENDED UNDER SECTION 902(A) OF THE FRAA, WHICH SUSPENDS LICENSES FOR EXPORT TO CHINA OF ARTICLES ON THE U.S. MUNITIONS LIST {USML} AND OF U.S. SATELLITES FOR LAUNCH ON CHINESE ROCKETS. UNDER SECTION 902(B) OF THE FRAA, THE PRESIDENT MAY WAIVE THESE SUSPENSIONS IF HE REPORTS TO CONGRESS THAT IT IS IN THE NATIONAL INTEREST OF THE U.S. TO DO SO OR IF CHINA MAKES SUBSTANTIAL PROGRESS IN SPECIFIC AREAS OF POLITICAL REFORM, MAINLY IN THE AREA OF HUMAN RIGHTS.

DONG FANG HONG 3 {DFH-3}  
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THE DFH-3 IS A CHINESE DOMESTIC COMMUNICATIONS SATELLITE BEING ASSEMBLED IN CHINA WITH A GERMAN PARTNER {MBB}. THE SATELLITE WAS TO CONTAIN SEVERAL U.S.-ORIGIN COMPONENTS ON THE USML. THE DEPARTMENT, AS THE AGENCY CHARGED WITH ADMINISTERING USML LICENSING, WAS NOT ABLE TO RECOMMEND THAT THE PRESIDENT GRANT A NATIONAL INTEREST WAIVER IN THIS CASE. IN CONTRAST TO THE AUSSAT AND FREJA SATELLITES, THE DFH-3 SATELLITE WILL PRIMARILY BENEFIT CHINESE END-USERS, AND THE CHINESE MILITARY IS INVOLVED IN THE PROJECT, CONTROLLING ACCESS TO THE SATELLITE GROUND STATIONS.

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RATIONALE FOR LICENSING  
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THE U.S. IS WILLING TO PERMIT EXPORTS FOR THE AUSSAT AND FREJA SATELLITES BECAUSE THERE WILL NOT BE ANY TRANSFER OF MISSILE-RELATED OR SENSITIVE SATELLITE TECHNOLOGY TO CHINA AS A RESULT OF THESE LAUNCHES AND THE EXPORTS WILL BENEFIT MAINLY U.S. EXPORTERS, SCIENTISTS AND ALLIES. STRINGENT SAFEGUARDS APPROVED BY THE U.S. GOVERNMENT WILL PROTECT AGAINST TRANSFER OF SENSITIVE U.S. TECHNOLOGY TO THE CHINESE DURING LAUNCH. NON-CHINESE ENTITIES WILL REMAIN IN CONTROL OF THE SATELLITES AT ALL TIMES AND WILL OPERATE THEM AFTER LAUNCH. NEITHER THE AUSSAT NOR FREJA SATELLITE LAUNCHES RAISE CONCERNS UNDER OUR BILATERAL AGREEMENT WITH CHINA ON TRADE IN COMMERCIAL LAUNCH SERVICES.

THE FOLLOWING TEXT OF THE PRESIDENTIAL STATEMENT ON THIS DECISION . BEGIN TEXT.

THE WHITE HOUSE  
OFFICE OF THE PRESS SECRETARY

FOR IMMEDIATE RELEASE  
APRIL 30, 1991

STATEMENT BY THE PRESS SECRETARY

THE PRESIDENT HAS DECIDED NOT TO APPROVE A REQUEST TO LICENSE THE EXPORT OF U.S. SATELLITE COMPONENTS TO CHINA FOR A CHINESE DOMESTIC COMMUNICATIONS SATELLITE, THE DONG FANG HONG 3 (DFH-3). THE PRESIDENT MADE THIS DECISION BECAUSE CERTAIN ACTIVITIES OF CHINESE COMPANIES RAISE SERIOUS PROLIFERATION CONCERNS.

THE UNITED STATES HAS UNDERTAKEN A MAJOR WORLDWIDE EFFORT TO COMBAT THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION, PARTICULARLY TO REGIONS OF INSTABILITY. WE TAKE THIS ISSUE VERY SERIOUSLY, AND THE PRESIDENT'S DECISION NOT TO APPROVE SATELLITE LICENSES IN THESE CIRCUMSTANCES UNDERSCORES THE IMPORTANCE ATTACHED TO

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PROLIFERATION.

THE UNITED STATES IS CURRENTLY ENGAGED IN AN INTENSIVE DIALOGUE WITH CHINA ON PROLIFERATION ISSUES, AIMED AT ENCOURAGING CHINA TO OBSERVE INTERNATIONALLY ACCEPTED GUIDELINES ON MISSILE AND MISSILE-RELATED TECHNOLOGY EXPORTS. THE CHINESE GOVERNMENT HAS STATED THAT IT WILL BE PRUDENT AND RESPONSIBLE IN ITS SALE OF MISSILE TECHNOLOGY. WE WILL BE DISCUSSING OUR CONCERNS ABOUT THE ACTIVITIES OF THE CHINESE COMPANIES INVOLVED IN DONG FANG HONG WITH THE CHINESE GOVERNMENT.

U.S. SATELLITES, THEIR COMPONENTS AND ASSOCIATED TECHNOLOGIES ARE INCLUDED IN THE U.S. MUNITIONS LIST AND REQUIRE LICENSES FOR EXPORT TO CONTROLLED DESTINATIONS, INCLUDING CHINA. UNDER SANCTIONS CONTAINED IN THE FOREIGN RELATIONS AUTHORIZATION ACT, FY 1990-91, LICENSING OF THESE EXPORTS IS PROHIBITED UNLESS THE PRESIDENT DETERMINES IT TO BE IN THE NATIONAL INTEREST. GIVEN OUR PROLIFERATION CONCERNS, IT WOULD NOT HAVE BEEN APPROPRIATE TO WAIVE THE LEGISLATIVE PROHIBITION FOR THE DONG FANG HONG.

AT THE SAME TIME, THE PRESIDENT DECIDED THAT IT IS IN THE NATIONAL INTEREST TO WAIVE LEGISLATIVE RESTRICTIONS ON EXPORTS FOR TWO OTHER PROJECTS, AUSSAT AND FREJA, THAT WILL LAUNCH SATELLITES FROM CHINA. THE TWO U.S.-BUILT AUSSAT SATELLITES WILL PROVIDE NEEDED COMMUNICATIONS SERVICES FOR OUR ALLY AUSTRALIA. THE PRESIDENT HAD PREVIOUSLY WAIVED LEGISLATIVE SANCTIONS AGAINST LAUNCHES FROM CHINA FOR AUSSAT, BUT THE PROJECT REQUIRED ADDITIONAL EXPORT LICENSES. THE PRESIDENT WAS CONCERNED THAT WE LIVE UP TO OUR EARLIER COMMITMENT TO ALLOW AUSTRALIA TO PROCEED WITH THIS PROJECT. THE SWEDISH FREJA SATELLITE, A SMALL SCIENTIFIC SATELLITE, WILL BE USED BY CIVILIAN ATMOSPHERIC RESEARCHERS IN THE U.S., SWEDEN, CANADA, GERMANY AND FINLAND.

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3. {U} EAP PRESS GUIDANCE: MAY 1, 1991

CHINA: LICENSE DENIED FOR DONG FANG HONG SATELLITE  
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Q: WHY IS THE ADMINISTRATION DENYING EXPORT LICENSES FOR THE  
DONG FANG HONG 3 {DFH-3} SATELLITE PROJECT?

A:

-- THE PRESIDENT DECIDED NOT TO WAIVE CURRENT RESTRICTIONS AND  
APPROVE THE LICENSES BECAUSE OF SERIOUS CONCERNS ABOUT CERTAIN  
ACTIVITIES OF THE CHINESE FIRMS INVOLVED IN THE DONG FANG HONG  
PROJECT. SINCE OUR INFORMATION ON THESE ACTIVITIES INVOLVES  
INTELLIGENCE, I CANNOT BE MORE SPECIFIC IN PUBLIC STATEMENTS.  
HOWEVER, THE ACTIVITIES DO RAISE PROLIFERATION CONCERNS.

-- IN LIGHT OF HEIGHTENED WORLDWIDE CONCERN AFTER THE GULF WAR  
ABOUT THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION,  
PARTICULARLY TO REGIONS OF INSTABILITY SUCH AS THE MIDDLE EAST  
AND SOUTH ASIA, THE DEPARTMENT BELIEVES THAT IT IS NECESSARY TO  
CAREFULLY EXAMINE EXPORT LICENSES IN THE CONTEXT OF OUR BROADER  
SECURITY AND FOREIGN POLICY CONCERNS.

-- {IF ASKED} WE HAVE NOT YET DETERMINED THAT ANY OF THE  
ACTIVITIES OF THE CHINESE COMPANIES INVOLVED IN THE DFH-3  
PROJECT REQUIRE ACTION UNDER U.S. LAW. AS A MATTER OF POLICY,  
HOWEVER, WE ARE NOT PREPARED TO WAIVE EXISTING RESTRICTIONS TO  
ALLOW EXPORTS OF U.S. SATELLITE COMPONENTS IN THIS INSTANCE.

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CHINA: SATELLITES OK DESPITE REPORTED MISSILE SALES  
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Q: HOW DO YOU JUSTIFY THE SANCTION WAIVERS FOR THE AUSSAT AND FREJA {FRAYAH} PROJECTS IN LIGHT OF REPORTS OF CHINESE MISSILE SALES TO PAKISTAN AND PERHAPS SYRIA?

A: -- WE REMAIN CONCERNED ABOUT REPORTS OF CERTAIN MISSILE EQUIPMENT AND TECHNOLOGY SALES AND ARE ENGAGING CHINA IN AN INTENSIVE DIALOGUE TO ADVANCE OUR MISSILE NONPROLIFERATION OBJECTIVES. SUCH CONCERNS DIRECTLY INFLUENCED THE PRESIDENT'S DECISION NOT TO APPROVE LICENSES FOR THE DONG FANG HONG, A CHINESE DOMESTIC COMMUNICATIONS SATELLITE. THE CHINESE HAVE STATED THAT THEY WILL REFRAIN FROM MEDIUM-RANGE MISSILE SALES TO THE MIDDLE EAST AND WILL ACT "PRUDENTLY AND RESPONSIBLY" WITH RESPECT TO MISSILE EXPORTS WORLDWIDE. WE CONTINUE TO URGE CHINA TO OBSERVE MISSILE TECHNOLOGY CONTROL REGIME GUIDELINES COVERING MISSILES AND RELATED EQUIPMENT.

-- WE ARE PROCEEDING WITH EXPORT LICENSES FOR THE LAUNCH OF THE AUSSAT AND FREJA {FRAYAH} SATELLITES BECAUSE OF THE PRESIDENT'S COMMITMENT TO OUR FRIEND AND ALLY AUSTRALIA AND BECAUSE THE SATELLITES WILL PRIMARILY BENEFIT U.S. EXPORTERS, WESTERN SCIENTISTS, AND PROVIDERS AND USERS OF SATELLITE COMMUNICATIONS IN AUSTRALIA.

CHINA: PROLIFERATION ACTIVITIES OF CHINESE COMPANIES  
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Q: WHAT PROHIBITED ACTIVITIES WERE THE COMPANIES INVOLVED IN?

A: -- I CANNOT BE SPECIFIC ABOUT THE ACTIVITIES OF THE CHINESE COMPANIES BECAUSE THE INFORMATION IS BASED ON INTELLIGENCE. ALL I CAN SAY IS THAT THEY RAISED SERIOUS CONCERNS ABOUT PROLIFERATION WHICH WE COULD NOT IGNORE.

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